

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2096-03
Bill No.: Perfected HS for HB 882
Subject: Gambling; Horse Racing.
Type: Original
Date: April 12, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$0 to \$100,000)	(\$0 to \$100,000)	(\$0 to \$100,000)
Missouri Horse Racing Fund	\$0	\$0	\$0
School Building Revolving Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Missouri Breeders Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on <u>All</u> State Funds	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Public Defender** assumed that existing staff could provide representation for those cases arising where indigent persons were charged with operating pari-mutuel wagering without a license. However, passage of more than one similar bill would require the State Public Defender System to request increased appropriations to cover cumulative cost of representing the indigent accused in the additional cases.

Officials from the **Office of the Secretary of State (SOS)** assume this bill makes changes in the pari-mutual wagering law and creates the Horse Racing for Education Fund. The Missouri Horse Racing Commission will promulgate rules to implement this bill. Based on experience with other divisions, the rules, regulations and forms issued by the Missouri Horse Racing Commission could require as many as 126 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register in the Code because cost statements, fiscal notes and the like are not repeated in Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23.00. The estimated cost of a page in the Code of State Regulations is \$27.00. The actual cost could be more or less than the numbers given of \$7,749. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

In response to similar legislation from this year, officials from the **Office of Prosecution Services** stated the costs related to this proposal could be absorbed within current resources.

Officials from the **Office of the State Courts Administrator** and the **Department of Revenue** assume this proposal would not fiscally impact their agency.

In response to similar legislation from this year, officials from the **Office of Administration - Budget and Planning** stated that the Gaming Commission is better suited to respond to this proposal.

Officials from the **Department of Corrections (DOC)** stated this proposal would make changes in the pari-mutuel wagering law and create the Horse Racing for Education Fund. Penalty provisions, the components of the bill to have potential fiscal impact for DOC, is for a class A misdemeanor.

ASSUMPTION (continued)

Currently, the DOC cannot predict the number of new cases which may result from the creation of the offenses(s) outlined in this proposal. An increase in cases depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in costs through supervision provided by the Board of Probation and Parole (FY99 average of \$2.47 per offender per day). Supervision by the DOC through probation would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

The increase from a D felony to a C felony charged against persons for testifying under oath in proceedings or investigations before the commission may add some costs to the DOC.

Oversight assumes that the conviction and incarceration of only one person would create a minimal fiscal impact of less than \$100,000 annually.

In response to similar legislation from a this year, officials from the **Missouri Gaming Commission (GAM)** assumed the Horse Racing Commission would require 13 FTE to implement the duties outlined in this proposal, which would include 5 officers of the Highway Patrol. They would also request expenses and equipment to include training, office equipment, and patrol cars.

Based on responses received to a similar proposal from a previous session, **Oversight** assumes that 6 FTE would be sufficient to accomplish the duties outlined in this proposal. The 6 FTE would consist of an Executive Director, a Security Director, a Licensing Director, a Pari-Mutuel Director, an Executive Secretary, and an Information Support Coordinator. Costs would include related equipment and expenses for these FTE.

In response to a similar proposal from a previous session, officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** stated the Missouri Horse Racing Commission may request MHP to investigate or participate as needed. If the Commission decides not to request assistance, there would be no fiscal impact on MHP. However, if the Commission decides to request assistance, as the Gaming Commission has, MHP assumes 5 additional FTE, including a sergeant, a corporal, and three troopers, would be needed to perform background and investigative support. **Oversight** assumes that statutory authority currently exists for enforcement of horse racing facilities, and has not shown any additional costs for this provision.

ASSUMPTION (continued)

MHP further assumes that because there will not be a large number of facilities that will apply for licensing in the beginning, the Criminal Records and Identification Division will not need additional personnel. However, if many facilities are involved, additional personnel and equipment may be necessary.

Oversight Assumptions

Currently there are no horse racing facilities in Missouri, therefore, **Oversight** assumes the Department of Public Safety - Missouri Horse Racing Commission would not hire the FTE until such time that possible horse racing ventures were proposed and planned. Oversight has ranged the FTE required by the Horse Racing Commission from 0 (if no horse racing facilities are planned) to 6 FTE. Oversight also ranged the revenue generated by the Missouri Horse Racing Fund from 0 to Unknown, depending upon if horse racing facilities develop in the state. Oversight assumes any revenue into the Missouri Horse Racing Fund will at least cover the costs of the Missouri Horse Racing Commission, however, if expenditures are incurred by the Commission and no revenue is generated, the General Revenue Fund may have to fund the Missouri Horse Racing Fund for any costs. Any excess revenues over costs in the Missouri Horse Racing Fund will be transferred to the School Building Revolving Fund

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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GENERAL REVENUE

<u>Costs</u> - Department of Corrections possible incarceration/probation costs	(\$0 to \$100,000)	(\$0 to \$100,000)	(\$0 to \$100,000)
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MISSOURI HORSE RACING FUND

<u>Income</u> - various possible sources including licensing fees, penalties, wagering, commissions, etc.	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Costs</u> - Horse Racing Commission*			
Personal Service (6 FTE)	\$0 to (\$162,238)	\$0 to (\$199,553)	\$0 to (\$204,542)
Fringe Benefits	\$0 to (\$54,074)	\$0 to (\$66,511)	\$0 to (\$68,174)
Expense and Equipment	<u>\$0 to (\$290,510)</u>	<u>\$0 to (\$188,193)</u>	<u>\$0 to (\$193,839)</u>
Total Costs - Horse Racing Commission*	\$0 to (\$506,822)	\$0 to (\$454,257)	\$0 to (\$466,555)

<u>Transfer</u> - surplus transferred to School Building Revolving Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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ESTIMATED NET EFFECT TO MISSOURI HORSE RACING FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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* SUBJECT TO APPROPRIATION

**SCHOOL BUILDING REVOLVING
FUND**

<u>Income</u> - Transfer from Missouri Horse Racing Fund	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Revenue</u> - Admission fee of \$2 per person	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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ESTIMATED NET EFFECT TO THE SCHOOL BUILDING REVOLVING	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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MISSOURI BREEDERS FUND

<u>Income</u> - portion of mutuel pool bets	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal makes numerous changes to the Missouri Horse Racing Commission and its powers and duties. In its main provisions, the proposal:

- (1) Specifies requirements for commission members; current law does not list any requirements;
- (2) Establishes procedures for filling member vacancies, assigns the commission to the Department of Public Safety instead of to the Missouri Gaming Commission, and authorizes the commission to hire employees, which is prohibited in current law;
- (3) Requires all licensing revenues to be deposited into the Missouri Horse Racing Fund, except for amounts designated for the Missouri Breeders Fund. The Horse Racing Fund will pay the commission's expenses, and any surplus will be deposited into the School Building Revolving Fund, subject to appropriation. Current law requires all moneys to be deposited into the Missouri Horse Racing Fund, subject to appropriation;
- (4) Requires that the 3 stewards appointed by the commission to be at each horse race meeting be certified by the Association of Racing Commissioners International, or an equivalent organization. Current law does not require certification;
- (5) Authorizes the commission to license applicants for tracks and pari-mutuel wagering facilities and to impose penalties on non-compliant licensees;
- (6) Outlines the powers of the commission and specifies grounds for disciplinary action by the commission against licensees;
- (7) Authorizes simulcasts of horse races;
- (8) Makes licenses valid until revoked for cause;
- (9) Establishes application procedures, including a \$50,000 application fee;
- (10) Requires an applicant to affirm that it will conduct at least 50 days of live racing in Missouri each twelve month period and that it will make a capital investment in its race meeting grounds in Missouri of at least \$25 million within the first year of operation;
- (11) Makes the pari-mutuel system to be used by the licensee subject to commission approval and outlines additional requirements of pari-mutuel systems and duties of the operators of the systems;
- (12) Repeals the requirement that all of the licensee's contracts for payment of compensation and any improvements to the property be subject to commission approval;

DESCRIPTION (continued)

- (13) Repeals fees for registration of stable names; under current law, these fees are deposited into the General Revenue Fund;

(14) Designates certain percentages of wagers to be paid to the commission, the Missouri Horse Racing Fund, and the Missouri Breeders Fund;

(15) Prohibits individuals from taking wagers for a fee outside of the licensed race meeting grounds and prohibits unauthorized gambling at a licensed race meeting grounds track.
Violation is a class C felony;

(16) Makes it a class A misdemeanor to operate pari-mutuel wagering without an appropriate license or in a manner other than authorized; and

(17) States that each licensee shall pay to the state treasurer, an admission fee of \$2 for each person entering the race meeting ground with a ticket of admission, to be credited to the School Building Revolving Fund.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the State Public Defender
Office of the Secretary of State
Office of Prosecution Services
Office of the State Courts Administrator
Office of Administration - Budget and Planning
Department of Corrections
Missouri Gaming Commission
Department of Public Safety - Missouri Highway Patrol
Department of Revenue



Jeanne Jarrett, CPA
Director

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